

CHAPTER 8

HOMEOWNERSHIP ZONES

- 8-1 PURPOSE. The Chapter provides guidance for monitoring the Homeownership Zone (HOZ) Initiatives, funded in Fiscal Years (FYs) 1996 and 1997. Both HOZ Initiatives are demonstration programs. HOZ grants provided seed money to program participants for large-scale homeownership development projects that reclaim vacant and blighted land, promote strong mixed-income neighborhoods and drive the economic revitalization of distressed areas. HOZs consist of several hundred new homes and related neighborhood improvements in a defined, concentrated area. At least fifty-one percent of the new homeownership units must be sold to low-and-moderate income homebuyers. Homeownership Zone plans incorporate “New Urbanist” design principles. The leverage of other funds is a critical component of each Homeownership Zone strategy. Therefore, program participants also use other HUD programs (HOME, CDBG, HOPE VI etc.), as well as State and local programs, to finance their HOZ activities.
- 8-2 FY 1996 HOZ INITIATIVE. The FY 96 HOZ Initiative was funded with Economic Development Initiative (EDI) and companion Section 108 Loan Guarantee funds. Activities carried out with FY 96 HOZ/EDI grant assistance are subject to:
- the requirements of the July 16, 1996, “Notice of Funding Availability and Program Guidelines for the Economic Development Initiative”;
 - the rules governing the use of EDI and Section 108 Loan Guarantee funds (24 CFR 570 Subpart M)
 - the terms of the executed HOZ/EDI “Grant Agreement”; and
 - the terms of the HOZ/Section 108 “Contract for Loan Guarantee Assistance”.
- 8-3 FY 1997 HOZ INITIATIVE. The FY 97 HOZ Initiative was funded with recaptured Nehemiah Program funds. Activities carried out with FY 97 HOZ grant assistance are subject to:
- the requirements of the July 7, 1997, “Notice of Funding Availability and Program Guidelines for Homeownership Zones;” and
 - the terms of the executed “Homeownership Zone Grant Agreement.”
- 8-4 APPLICABILITY. Because activities within the HOZs are also funded by other HUD programs, the HUD reviewer should determine whether other HUD programs should be included as part of the HOZ monitoring review, based upon CPD’s risk analysis process. To the extent that a HOZ monitoring would include a review under other CPD programs, the reviewer shall use the applicable CPD monitoring Exhibit(s) elsewhere in this Handbook. With respect to financial management

reviews of the FY 96 HOZs, Section C of Exhibit 5-1, “Guide for Review of Section 108 Loan Guarantees, EDI and BEDI Grants;” Exhibit 3-18, “Guide for Review of Financial Management;” and Exhibit 3-19, “Guide for Review of Cost Allowability,” are to be used, as necessary. Financial management reviews of FY 97 HOZs are to use Exhibit 3-18, “Guide for Review of Financial Management;” and Exhibit 3-19, “Guide for Review of Cost Allowability,” as necessary. Note that, with respect to the expenditure of FY 97 HOZ fund, the Davis Bacon Act does **not** apply.

- 8-5 PREPARING FOR MONITORING. The materials listed below provide important background for HOZ monitoring reviews. Missing documents should be requested from the Homeownership Zone Coordinator, Office of Affordable Housing Programs in HUD Headquarters.

1996 HOZs:

- Notice of Funding Availability and Program Guidelines for the Economic Development Initiative – Fiscal Year 1996 (July 16, 1996).
- 24 CFR 570 Subpart M, “Loan Guarantees.”
- Uniform Administrative Requirements and Cost Principles (24 CFR 570.502).
- FY96 Economic Development Initiative/Homeownership Zone Competition Procedures for Amendments (July 8, 1999).
- FY 96 HOZ/EDI Competition Procedures for Progress and Performance Reports July 8, 1999 (revised 5/03).
- Program participant Homeownership Zone/EDI Application, as may be amended.
- Program participant Homeownership Zone/EDI Grant Agreement, as may be amended.
- Program participant Homeownership Zone/ Section 108 Contract for Loan Guarantee Assistance, as may be amended.
- Program participant Homeownership Zone Quarterly Progress Reports
- Map of Homeownership Zone boundaries.
- Most recent Homeownership Zone Grant/EDI LOCCS report.

1997 HOZs:

- Notice of Funding Availability and Program Guidelines for Homeownership Zones – Fiscal Year 1997 (July 7, 1997).
- Uniform Administrative Requirements and Cost Principles (24 CFR Part 85; OMB Circular A-87; 24 CFR Part 84; and OMB Circular A-122).
- Single Audit Requirements (OMB Circular A-133).
- Program participant Financial Instructions – FY 97 Homeownership Zone Program (May 1998).
- HUD-50080-HOZ LOCCS/VRS Homeownership Zone Grant Payment Voucher (May 1998).

- FY97 Homeownership Zone Competition Procedures for Amendments (July 8, 1999).
- FY 97 HOZ Competition Procedures for Progress and Performance Reports July 8, 1999 (rev 5/03).
- Program participant Homeownership Zone Application, as may be amended.
- Program participant Homeownership Zone Grant Agreement, as may be amended.
- Program participant Homeownership Zone Quarterly Progress Reports.
- Map of Homeownership Zone boundaries.
- Most recent Homeownership Zone Grant LOCCS report.